Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of

End User Common Line Charges	)))	CC docket No. 95-72

Comments of the Consumer Project on Technology on ISDN Charges

The Consumer Project on Technology (CPT) submits these comments in reply to comments by Bell Atlantic, the Commercial Internet Exchange (CIX), and the joint comments by Compuserve Incorporated, GE Information Services, Inc. and Prodigy Services Corporation, on the Commission's inquiry into Subscriber Line Charges (SLCs) and Integrated Services Digital Network (ISDN) services provided by local exchange carriers (LECs).

The Consumer Project on Technology (CPT) was created by Ralph Nader in 1995 as a project of the Center for Study of Responsive Law, which he founded in 1968. This project is engaged in research and advocacy on technology matters on behalf of consumer interests. We are interested in the issues raised in the Notice of Proposed Rule Making (NPRM) because we believe that ISDN technology provides an opportunity, not yet exploited, to give the public much higher speed access to telecommunications networks at a low cost.

Our concerns about ISDN pricing are more general than the SLC. At present LEC prices to consumers for using ISDN services far exceed LEC

costs in providing the service. Moreover, LEC ISDN charges often include substantial metering charges, based upon minutes of use or data packets sent, for calls made within local service areas. For example, Bell Atlantic charges residential consumers 4 cents per minute for local calls when using both B channels on a Basic Rate Interface (BRI) service, and some LECs charge more than 10 cents per minute for local ISDN calls. These LEC prices to consumers are often so much higher than the proposed SLC charges that broader policy issues must be raised.

In our view, the Commission should start with the basic fact that the existing infrastructure can be used far more intensively and far more efficiently than is the case today, with very little additional investment. ISDN technology allows users to obtain much greater functionality out of the existing public network. As the Commission noted, a standard twisted pair copper wire phone line configured as a BRI ISDN service can deliver two voice grade telephone lines, or one voice and one 56 (or 64) kbps data line, or a single 128 kbps data line, with very little additional cost to the LEC. And a Primary Rate Interface (PRI) ISDN connection can provide 24 voice grade lines or a T-1 (1.54 Mbps) data connection on four copper wires, at a modest cost to the LEC. However, these services are priced so high that usage today is greatly restricted.

Businesses and non-profit organizations are being asked to pay from $500 to $1,000 per month for PRI ISDN connections, which is far in excess of

LEC costs. Residential BRI ISDN tariffs run the gamut, varying greatly from state to state, with some states charging more than $70 per month for a single B channel (less than half the bandwidth available on a standard twisted pair ISDN line), plus various metering charges, despite the fact that cost studies suggest that the incremental costs of upgrading a voice grade line to a BRI ISDN service are from $2 to $10 per month (excluding installation costs).

Of particular concern are the LEC metering charges, which lead to inefficient uses of the network. Because much of the appeal of ISDN services is for data transmissions and network services, the usage sensitive metering charges are particularly vexing. A residential or small business consumer that purchases Bell Atlantic's BRI ISDN service and uses the line for a full time 128 kbps connection to the Internet would incur more than $1,700 per month in usage charges. The fact that these charges are excessive is obvious, but more fundamental is the point that any usage based pricing scheme will discourage individuals or small businesses from using these technologies in the ways that are socially desirable. That is to say, data lines are likely to be used far more extensively than voice lines, even by individuals.

LECs have traditionally tried to impose any number of different methods of price discrimination that will allow them to exploit their monopoly power, and charge more to consumers with a higher willingness to pay. Usage based rates, even though they lead to inefficient usage of the public network, are often favored by the LECs, as a mechanism to charge

more to higher income consumers. However, the advantage of flat rate tariffs is that the network, which includes high fixed costs, is used more efficiently. Much of the popularity of the Internet is because of a pricing scheme the is based upon **capacity** rather than **usage**. Indeed, the relatively high penetration rates for cable TV are also partly explained by the fact that the most popular services are sold at fixed monthly prices, regardless of usage, and this is perceived to be a good value by consumers.

In examining the SLC issue, the Commission has asked for comments on a number of issues, including:

(i) whether or not LECs should impose higher SLC fees for higher bandwidth services, or

(ii) whether or not SLCs, which are fixed and non-usage sensitive fees, should in general be higher or lower, or if more or less of the local loop costs should be recovered through usage based Common Carrier Line (CCL) charges.

In our view, the Commission should move toward a pricing structure which encourages greater use of networks and of the existing infrastructure. To accomplish this, we make the following suggestions:

(1) Place an increasing emphasis on non-usage sensitive charges to finance local loop costs. That is to say, greater reliance upon

SLC and less reliance upon CCL charges.

(2) It is reasonable to charge a higher SLC for greater bandwidth services, since those charges are reasonably related to the benefits that one will receive from the network.

(3) In setting the level of the SLC and the premium for high bandwidth services, assume that it is socially desirable for broader deployment of higher bandwidth services, and that usage will respond positively to lower consumer prices for the ISDN service and the services that the ISDN lines will connect to.

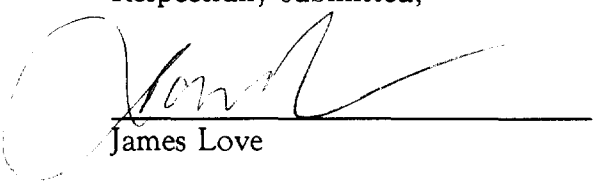
(4) Open an inquiry into the extremely high premiums charged by LECs to consumers for BRI and PRI ISDN services, and seek rules which prevent LECs which have monopoly power in local loop services from charging excessive prices for ISDN lines.

(5) Price ISDN BRI and PRI services as mature technologies, that should be widely available to the public, without premiums normally associated with new experimental technologies. ISDN, like dial tone, should be considered a core service readily available to the millions of families using the Internet and other computer network services.

We believe that consumers are paying far too much to LECs for ISDN

services, and that the pricing of ISDN services is one of the most important barriers to broader deployment of higher performance network services. We are aware that Bell Atlantic, for example, is now testing ISDN services that deliver nearly 2 Mbps to residential consumers using a standard twisted pair copper wire local drop, and that changes in video data compression have made this higher bandwidth service a highly relevant alternative to the much higher cost fiber-coaxial network architectures. Briefly, we hope that the Commission will spend much more time examining the problem of excessive ISDN pricing, and develop a more comprehensive national strategy for broad low cost ISDN deployment.

Respectfully submitted,



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